

Department of Finance

Fiscal Year 2021 Mid-Year Budget Monitoring Report

City Council
February 22, 2021
Item # 601

Overview

- ❖ Based on 5 months of actual activity and includes:
 - ❖ Discussions on the following:
 - ❖ Major General Fund Revenues
 - ❖ Department Revenues
 - ❖ Department Expenditures
 - ❖ Mitigation Options
 - ❖ Updates on
 - ❖ Non-General Funds Revenues and Expenditures
 - ❖ Reserves
 - ❖ Police Personnel Expenditures





General Fund Activity

Summary of FY 2021 General Fund Projections

in millions

Revenue/ Expenditures	Adopted Budget	Current Budget	Year- End Projection	Variance	Variance %
Major General Fund Revenues	\$ 1,163.9	\$ 1,163.9	\$ 1,133.6	\$ (30.3)	- 2.6 %
Departmental Revenues	457.0	457.0	401.4	\$ (55.7)	- 12.2 %
Revenue	\$ 1,620.9	\$ 1,620.9	\$ 1,535.0	\$ (86.0)	- 5.3%
Personnel Expenditures	647.9	647.9	649.7	(1.8)	- 0.3%
Fringe & Non - Personnel Expenditures	973.0	973.0	970.6	2.4	0.2%
Expenditures	\$ 1,620.9	\$ 1,620.9	\$ 1,620.4	\$ 0.6	0.0%
Net Projected Activity	\$ -	\$ -	\$ (85.4)	\$ (85.4)	



Economic Indicators, COVID-19 and Stay-At-Home Orders

Modest Growth in Home Values and Sales Volume, Decline in Forecloses

Sudden Swings in Consumer Confidence and Unemployment Levels

Local Economic Indicators

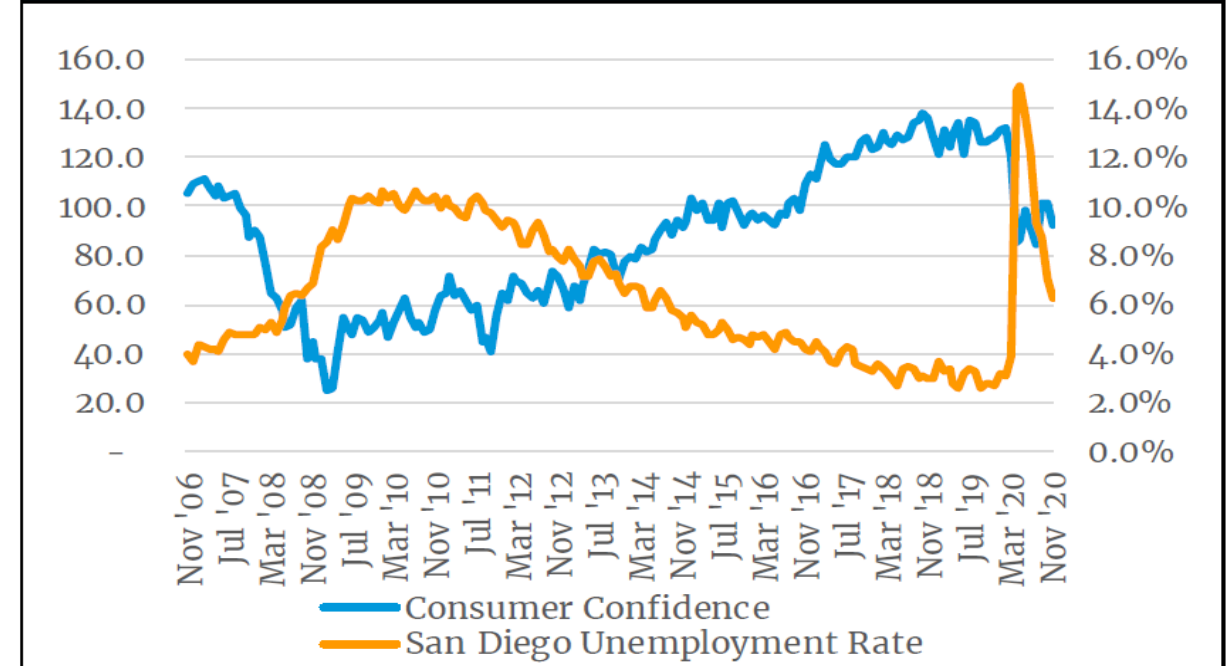
Table 3

Economic Indicator	Nov-19	Nov-20	Change %
City of San Diego Unemployment	2.8%	6.3%	3.5%
City of San Diego Number of Unemployed	20,100	45,400	125.9%
City of San Diego Home Sales ¹	13,743	14,019	2.0%
City of San Diego Median Home Price	\$625,500	\$649,000	3.8%
San Diego County Foreclosures ¹	527	244	-53.7%
San Diego County Notices of Default ¹	2,691	1,273	-52.7%

¹ Calendar year data through November.

Consumer Confidence & San Diego Unemployment Rate

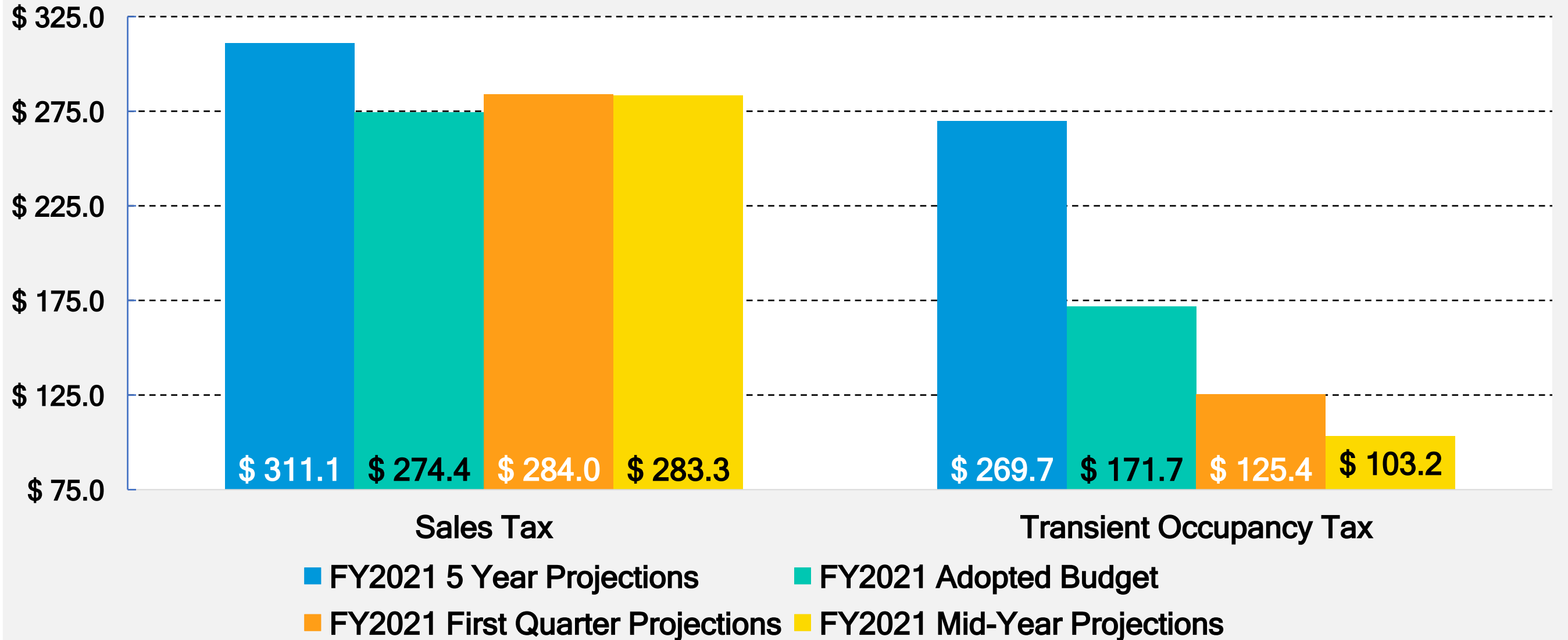
Graph 1



Source: Consumer Confidence Board



Key Major Revenues Tied to Consumer Confidence





Department Revenues

FY 2021 Significant General Fund Departmental Revenue Projections					
Table 13					in millions
Department	Adopted Budget	Current Budget	Year- End Projection	Variance	Variance %
City Treasurer	\$ 39.9	\$ 39.9	\$ 41.8	\$ 1.9	4.7%
Development Services	4.6	4.6	2.6	(2.0)	(43.2%)
Fire- Rescue	87.7	87.7	72.3	(15.4)	(17.5%)
Parks and Recreation	27.7	27.7	16.8	(11.0)	(39.5%)
Police	88.4	88.4	84.5	(3.8)	(4.4%)
Real Estate Assets	49.8	49.8	33.5	(16.3)	(32.8%)
Storm Water	13.6	13.6	9.8	(3.8)	(28.2%)
All Other Departments	145.5	145.5	140.2	(5.3)	(3.6%)
Total	\$ 457.0	\$ 457.0	\$ 401.4	\$ (55.7)	(12.2%)

\$55.7 million under budget, primarily due to:

- ❖ **\$25.1** million TOT reimbursements to General Fund departments, **\$8.2** million Parking citation revenue, and **\$3.5** million Mission Bay revenue (\$13.7 million in total).
- ❖ **\$2.4** million Coronavirus Relief Fund (CRF) interest, and **\$3.0** million Cannabis Business Tax.



Department Expenditures

FY 2021 General Fund Expenditure Projections					
<i>in millions</i>					
Expenditure Category	Adopted Budget	Current Budget	Year- End Projection	Variance	Variance %
Personnel Expenditures	\$ 647.9	\$ 647.9	\$ 649.7	\$ (1.8)	- 0.3%
Fringe	491.9	491.9	495.3	(3.4)	- 0.7%
Supplies	30.3	30.3	30.4	-	0.0%
Contracts	281.4	283.4	293.3	(9.9)	- 3.5%
Transfers Out	42.6	39.8	33.9	5.9	14.8%
Debt	21.8	21.2	15.0	6.2	29.2%
All Other Non- Personnel Categories ¹	105.0	106.4	102.8	3.6	3.4%
Fringe & Non- Personnel Expenditures	\$ 973.0	\$ 973.0	\$ 970.6	\$ 2.4	0.2%
Total	\$ 1,620.9	\$ 1,620.9	\$ 1,620.4	\$ 0.6	0.0%

¹All Other Non- Personnel Expenditures includes Information Technology, Energy and Utilities, Other, and Capital Expenditures categories.

Contracts

- ❖ Contracts projected over budget by \$9.9 million, or 3.5%
- ❖ FY 2021 Adopted Budget included Council-proposed reduction of 2.6% or \$6.3M
 - ❖ Category is broader than just consulting services
 - ❖ 4.3% reduction after removing non-discretionary budgets and CARES Act funded programs
- ❖ Cuts applied to the bottom-line contracts budget, which includes large essential contracts, such as:
 - ❖ County general election costs, Animal services contract, per diem to County for misdemeanants at County detention facilities, and City's insurance premiums, which are largely non-negotiable.
- ❖ Savings in other categories offset overage

Mitigation Strategies

- ❖ **\$85.4** million Net projected Activity
 - ❖ **\$14.5** million unassigned fund balance (excess equity)
- ❖ Stimulus
 - ❖ \$350 billion for local and state government out of \$1.9 trillion proposal
 - ❖ \$618 billion counter proposal from Senate Republicans
- ❖ Operational or capital project reductions
- ❖ Reserves
 - ❖ \$65.5 million in Risk Management Reserves (all contributing funds)

Non-General Funds

- ❖ Monitoring funds with operations affected by COVID-19
 - ❖ Concourse
 - ❖ Parking Meter Operations
 - ❖ Publishing Services and Central Stores

Conclusion

- ❖ Revenues are projected to decrease by \$86.0 million (-5.3%)
- ❖ Expenditures are projected to decrease by \$0.6 million (0.0%)
- ❖ After accounting for the \$14.5 million in unassigned fund balance, \$71.0 million is left to be mitigated with operational or capital project reductions, use of reserves or additional Federal stimulus
- ❖ The Mayor is exploring various mitigation options to address the City's budget shortfall and will communicate next steps in the coming weeks to staff and City Council
- ❖ DoF will provide the Council with a status update in mid-March on Major General Fund Revenue and is scheduled to release the 3rd Quarter Report on May 18th

Proposed Action

- ❖ Approve the recommendation to delay proposing budget adjustments, including the potential use of reserves, until the FY 2021 Third Quarter Budget Monitoring Report due to the uncertainty of Federal or State funding, the current distribution of vaccines, and the potential impact to the City's revenues from the pandemic.

Police Department

Fiscal Year 2021 Appropriation Ordinance Update Presentation

City Council
February 22, 2021

Police Appropriation Ordinance Adjustments

- ❖ **Police Fiscal Year 2021 Appropriation Ordinance Update**
- ❖ **Identified threshold for Departmental Overtime and Neighborhood Policing Division (NPD) Expenditures**
- ❖ **Requested Police Department appear before Council with an update**

Police Appropriation Ordinance Adjustments

❖ Police Overtime

- ❖ Police General Fund overtime budget is \$33.7 million
- ❖ Police overtime expenditures through period 5 are \$13.5 million or 40% of total budget
- ❖ Police overtime expenditures are projected to be at budget at the end of the Fiscal Year
- ❖ Increase of \$5.5 million from COVID-19 and Civil Unrest/Protests
- ❖ Increase is offset by savings in special events and Ball Park events, court, extension of shift overtime for communications staffing, and miscellaneous overtime.

Police Appropriation Ordinance Adjustments

❖ **Neighborhood Policing Division (NPD)**

- ❖ NPD's Mission
- ❖ NPD General Fund budget is \$24.3 million
- ❖ NPD expenditures through period 5 are \$9.5 million or 39% of total budget
- ❖ NPD expenditures are projected to be at budget at the end of the Fiscal Year
- ❖ NPD's role in addressing Homelessness
- ❖ Filling the void in non-law enforcement outreach
- ❖ Importance of maintaining NPD's current service levels